



**AT THE COMPANY**

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**FOR IMMEDIATE RELEASE**

**RUSS BERRIE AND COMPANY, INC. REPORTS FIRST QUARTER RESULTS**

**- Company to Host Conference Call Monday, June 5<sup>th</sup> -**

**Oakland, N.J. — June 2, 2006** — Russ Berrie and Company, Inc. (NYSE: RUS) today reported results for the first quarter ended March 31, 2006.

Consolidated net sales for the first quarter of 2006 increased 9.4% to \$77.4 million compared to \$70.7 million for the first quarter last year, reflecting growth in both the infant and juvenile and gift business segments.

Net sales for the Company's infant and juvenile segment increased 13.7% to \$37.3 million compared to \$32.8 million in the comparable period last year, primarily due to increased sales in the Kids Line business. Net sales for the Company's gift segment increased 5.6% to \$40.0 million for the quarter versus \$37.9 million for the same period last year. The increase was driven primarily by improved product availability compared to the prior year.

Consolidated gross profit was \$31.8 million, or 41.2% of sales, in the first quarter of 2006 compared to \$31.4 million, or 44.4% of sales, in the first quarter of 2005. The decline in the gross profit percentage was primarily the result of competitive pricing pressure and sales channel mix in the gift segment. Consolidated selling, general, and administrative expenses increased to \$31.8 million, or 41.1% of sales, from \$30.7 million, or 43.4% of sales, in the first quarter of 2005. This increase was due to a \$1.1 million increase in gift segment selling, general and administrative expenses. Included in the gift segment selling, general and administrative expenses in the first quarter of 2006 were \$2.7 million of costs associated with restructuring activities in the Company's US and European gift divisions and \$1.3 million in consulting costs incurred in connection with the development of the Company's Profit Improvement Program. These costs were partially offset by expense reductions in the gift segment attributable to 2005 and 2006 restructuring activities.

The Company reported a consolidated net loss of \$5.0 million, or \$0.24 per diluted share, for the first quarter of 2006 compared to a net loss of \$1.7 million, or \$0.08 per diluted share, in the first quarter of 2005. In addition to the \$4.0 million in selling, general and administrative costs described above, the first quarter of 2006 also included the write-off of \$2.5 million in deferred financing costs and a prepayment penalty of \$1.3 million incurred in connection with refinancing of the Company's credit facility.

Mr. Andy Gatto, President and Chief Executive Officer, commented, "We are pleased to have generated year-over-year top line gains in both of our segments. Our infant and juvenile business remains strong, and we continue to develop exciting new products and programs for this important growth area of our business. Despite continued softness in the independent retail sales channel, we were able to grow sales

in our gift business and are encouraged by our progress in the first quarter. That said, while our restructuring initiatives have gained traction and demonstrated certain tangible results, there is still much work to be done. As such, we continue to evaluate, expand, and execute our plan to return our gift business to profitability and are optimistic that these initiatives will better position our Company for the future.”

### **Conference Call Information**

Management will hold a conference call Monday, June 5, 2006 at 10:00 a.m. ET to discuss its financial results. Individuals wishing to participate in the conference call should call (800) 938-0653 or (973) 935-2408. For interested individuals unable to join the call, a replay will be available through June 12, 2006 by dialing (877) 519-4471 from the United States or (973) 341-3080 from international locations, pass code 7468642. Interested parties are also invited to listen to the call live over the Internet at [www.earnings.com](http://www.earnings.com).

Russ Berrie and Company, Inc., a leader in the infant and juvenile and gift industries, and its wholly-owned subsidiaries, designs, develops, and distributes a variety of innovative gift, infant and juvenile products to specialty and mass market retailers worldwide. Known for its teddy bears and other plush animals, the Company's gift and infant and juvenile lines are comprised of a diverse range of everyday, seasonal, and occasion-themed products that help people celebrate the milestones in their lives. Founded in 1963 by the late Russell Berrie from a rented garage in New Jersey, today the Company operates offices, showrooms, and distribution centers all over the world and trades on the NYSE under the symbol RUS.

*Note: This press release contains certain forward-looking statements. Additional written and oral forward-looking statements may be made by the Company from time to time in Securities and Exchange Commission (SEC) filings and otherwise. The Private Securities Litigation Reform Act of 1995 provides a safe-harbor for forward-looking statements. These statements may be identified by the use of forward-looking words or phrases including, but not limited to, “anticipate”, “believe”, “expect”, “project”, “intend”, “may”, “planned”, “potential”, “should”, “will” or “would”. The Company cautions readers that results predicted by forward-looking statements, including, without limitation, those relating to the Company's future business prospects, revenues, working capital, liquidity, capital needs, interest costs and income are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. Specific risks and uncertainties include, but are not limited to those set forth under Item 1A, “Risk Factors”, of the Company's most recent Annual Report on Form 10-K filed with the SEC. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.*

*(Tables to Follow)*

**Russ Berrie and Company, Inc.**  
**Financial Summary**  
(Dollars in Thousands, Except Per Share Data)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<u><b>2006</b></u>	<u><b>2005</b></u>
Net Sales	\$ 77,359	\$ 70,740
Cost of Sales	<u>45,513</u>	<u>39,344</u>
<b>Gross Profit</b>	31,846	31,396
Selling, general and administrative expenses	<u>31,778</u>	<u>30,685</u>
<b>Operating Income</b>	68	711
Other expense	<u>(5,327)</u>	<u>(3,451)</u>
<b>Loss before income tax</b>	(5,259)	(2,740)
Income tax benefit	<u>(267)</u>	<u>(1,018)</u>
<b>Net loss</b>	<u><u>\$ (4,992)</u></u>	<u><u>\$ (1,722)</u></u>
<b>Net loss per share</b>		
Basic	<u>\$ (0.24)</u>	<u>\$ (0.08)</u>
Diluted	<u><u>\$ (0.24)</u></u>	<u><u>\$ (0.08)</u></u>
<b>Weighted average shares:</b>		
Basic	20,836,000	20,824,000
Diluted	20,836,000	20,824,000

**Russ Berrie and Company, Inc.**  
**Selected Balance Sheet Data**  
(Dollars in Thousands)

	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Cash, cash equivalents, marketable securities and other investments	\$ 11,161	\$ 28,667
Accounts receivable - net	62,007	53,444
Inventories - net	50,202	56,346
Other current assets	16,188	17,405
Property, plant and equipment and other assets	<u>173,787</u>	<u>174,730</u>
Total assets	<u>\$ 313,345</u>	<u>\$ 330,592</u>
Current portion of long-term and short-term debt	\$ 25,750	\$ 34,524
Other current liabilities	39,304	50,227
Deferred income taxes	5,564	6,358
Long-term debt excluding current portion	50,250	41,993
Other long-term liabilities	<u>3,530</u>	<u>3,636</u>
Total liabilities	<u>124,398</u>	<u>136,738</u>
Shareholders' equity	<u>188,947</u>	<u>193,854</u>
Total liabilities and shareholders' equity	<u>\$ 313,345</u>	<u>\$ 330,592</u>

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